

Message Text

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ORIGIN AGR-20

INFO OCT-01 EA-11 ISO-00 EB-11 AID-20 OMB-01 TRSE-00

COME-00 L-03 CIAE-00 INR-11 NSAE-00 RSC-01 SWF-02

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66618

DRAFTED BY FAS/PL480/PPD/PDEVGON

APPROVED BY FFP/FRD/JDURNAN JR

AGRIC/FAS/HIDUNKLEBERGER

OMB DP DUSALT

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AGRIC/ASCS TBECKER

AGRIC/FAS CPENCE

AGRIC/FAS ETRANSOM

TREASURY MRYSS

COMMERCE: CSHAW TREASURY SCANNER

FEP/AID KBITTERMANN

STATE/AID, EA/K BRICHARDSON (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL PRIORITY

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FROM AGRICULTURE/FAS

E.O. 11652: N/A

SUBJ: PROPOSED AMENDMENT PTA 16 KOREA SILO COMPANY

1. IN FOLLOWUP MEETING TO SEC BUTZ MEETINGS WITH DPM TAE
JULY 10, 1974 (IN WHICH SEC BUTZ EXPRESSED INTEREST KSC
PROJECT) MR. LEE, DIRECTOR ECONOMIC COOPERATION BUREAU
EPB REAFFIRMED EPB DECISION TO FACILITATE KSC EFFORTS TO
RAISE \$4.49 MILLION URGENTLY NEEDED ADDITIONAL FINANCING
TO ASSURE NOV 74 SCHEDULED COMPLETION INCHON BULK GRAIN
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HANDLING FACILITIES.

2. AS FIRST IMMEDIATE STEP EPB HAS REQUESTED KOREAN MIN FINANCE TO HELP KSC SECURE THE NECESSARY SHORT TERM (INTERIM) FINANCING FROM SIX KOREAN BANKS. EPB HAS ALSO ADVISED KSC OF ITS WILLINGNESS APPROVE INCREASE IN U.S.-KOREAN STOCK-HOLDERS 50-50 CAPITAL INPUTS FROM ORIGINAL \$2.0 MILLION TO \$3.25 MILLION. LEE URGED FAVORABLE CCC RESPONSE KSC REQUEST FOR \$3.0 MILLION ADDITIONAL PTA FINANCING BY SUBSTITUTING WHEAT OR FEEDGRAIN OR RICE IN LIEU OF \$2.0 MILLION TOBACCO FINANCING COMMITMENT AGREED UNDER OCT/DEC 73 PTA 16 AMENDMENTS AND ANOTHER ONE MILLION NEW FINANCING (IN GRAINS) TO COVER THE REVISED PROJECT COSTS. ACCORDING TO LEE, EPB HAS ALREADY DECIDED APPROVE PTA 16 AMENDMENT ALONG ABOVE LINES AS SOON AS SUCH AMENDMENT IS SUBMITTED TO EPB BY KSC.

3. MR. LEE ALSO GAVE CATEGORICAL ASSURANCES THAT EPB IS NOT REPEAT NOT WILLING ENTERTAIN REQUESTS FOR BUILDING ANOTHER GRAIN ELEVATOR IN INCHON. HE SUGGESTED THAT USDA SHOULD DISREGARD AND IGNORE OCCASIONAL RUMORS OF EFFORTS BY OTHER GROUPS/ENTITIES TO OBTAIN ROKG AUTHORIZATION FOR SECOND FACILITY IN INCHON.

4. USDA REVIEW INFO SUBMITTED BY KSC INDICATES THAT \$4.49 MILLION INCREASE IN PROJECT COSTS CONSISTS OF: (A) \$1.0 MILLION FOR PURCHASE OF LAND PROJECT SITE WHICH ORIGINALLY WAS TO BE ACQUIRED UNDER LONG TERM LEASE. USDA/CCC INTERESTS WE BELIEVE, ARE BETTER SERVED WHEN PTE OWNS RATHER THAN LEASES LAND FOR PTA FINANCED PROJECTS; (B) \$67,237 INCREASE IN ENGINEERING COSTS AND \$1.26 MILLION FOR CONSTRUCTION OF FINGER PIER. THESE INTERRELATED INCREASES ARE UNANTICIPATED ADDITIONAL BURDEN ON KSC SINCE UNDER ORIGINAL PLANS INCHON PORT DEVELOPMENT AUTHORITY WAS TO BUILD AND RENT A BERTH TO KSC; (C) \$1.977 MILLION INCREASE IN COST OF MACHINERY, TOOLS AND EQUIPMENT RESULTING FROM INITIAL UNDERESTIMATION OF COST FOR PNEUMATIC UNLOADING TOWERS, RELOCATION OF UNLOADING PIER WITH AN ATTENDANT 51 PERCENT INCREASE IN CONVEYOR SYSTEM LENGTH, INCREASE IN SIZE OF ELECTRIC DRIVES AND DUST FILTERS AND OTHER CHANGES RELATING TO BAGGING AND BULK LOAD OUT
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SYSTEMS, AND (D) OVER \$1.0 MILLION OF FIXED DEBT SERVICING COST THRU OCT 74 UNDER PTA 16 AND OTHER SHORT TERM LOCAL LOANS WHICH KSC WOULD HAVE PAID WITHOUT DIFFICULTY IF KSC COULD HAVE AVOIDED EXPENDITURES OF TIME AND MONEY FOR SEVERAL PROJECT COMPONENTS INCLUDING JETTY PIER AND COMPLETED PROJECT AS SCHEDULED. THESE ADDITIONAL COSTS TOTALLING NEARLY \$5.9 MILLION HAVE BEEN PARTIALLY OFFSET BY APPROXIMATELY \$1.1 MILLION SAVINGS AND

ADJUSTMENTS IN CONSTRUCTION COSTS FOR BUILDINGS AND SITE
FACILITIES AND ALLOWANCE FOR CONTINGENCIES.

5. IN VIEW OF ABOVE AND ON BASIS AGATTACHE SEOUL VIEWS AND
COMMENTS, USDA PLANS TO SUBMIT APPROPRIATE PROGRAM TO USG
AGENCIES FOR THEIR CONCURRENCE. ANY DECISION WILL, OF
COURSE, BE SUBJECT TO COMPLETION INTERAGENCY REVIEW
OVERALL FY 1975 PL 480 PROGRAM, WHICH MAY DELAY DECISION.
END
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, STORAGE, CONSTRUCTION, BANK LOANS, INVESTORS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE163484
Document Source: CORE
Document Unique ID: 00
Drafter: PL480/PPD/PDEVGON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740203-1084
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740713/aaaaakpr.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <21 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED AMENDMENT PTA 16 KOREA SILO COMPANY
TAGS: EAGR, EFIN, KS
To: SEOUL
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005